

## Launceston City Council

### Metro Pricing Investigation

Please accept this document as the response from Launceston City Council to the above study.

Copies of the issues paper were distributed to all elected members and relevant staff and the matter was discussed that a policy and planning meeting by all council members.

There were some key themes that emerged from the discussion which are summarised below.

Unrelated to the study but of interest to Metro is the support by Council for the expansion of the Metro service into Ravenswood. Council welcomes and supports the recent moves to give equal access to bus services to this area.

#### ***Matters from the Issues Paper***

- *Is transport provision a “Core Business” of Government – if it is, then some financial “risk” must be borne by the general community.*

**Comment** The point here relates to public transport as a whole. It was felt that it is core business of Government to fund public transport (provision may be via private operators). In that case “risk” must be spread between the Government and the suppliers.

- *The make up of the Metro clients of low income, unemployed means that any rise in pricing will adversely effect the clients.*

**Comment** By their very nature the group that Metro services will be the ones that any increase in pricing effects. An interesting point during the round table discussion was the apparent stigma that goes with bus use. Council believes that this is an area were good marketing could assist in strengthening customer base.

- *There is a strong argument for “social obligation” if transport is seen as a core business of Government.*

**Comment** The study by its nature is seen as having a bias towards economic side of issue. Council would strongly argue that there should be a balance of social and environmental considerations in any findings. Some allowance should be given in the balance sheet for social and environmental matters.

- *Accepting the above argument means that price and financial return become only some of the issues to consider – there becomes a greater need to define the expected level of service.*

**Comment** To assist in balancing the various arguments it is suggested that defining the level of service required by Government and getting Metro (or others) to price on that service level may overcome some of the problems above. It gives the client some way of defining social and

environmental obligation and taking these factors into account when the provider supplies a pricing structure.

- *If the provision of public transport is not core business of Government then one would suggest that the best delivery of service could be handled by calling for open bids in the market place. If that is the case then specification of the required service becomes critical. **Comment***

This is a matter for Government to decide. Getting Metro to complete to deliver service will give some indication of positioning in the market place.

- Another reason for the consideration of defining the required level of service is moving the “risk” associated with fluctuation in outside factors like fuel. The issues paper seems to suggest that this is a matter only for Metro – outside Contractors would face the same problem. **Comment**

The point being made here is that any organisation that wishes to deliver this service will be subject to the same risks.

- Whether the service is delivered by Metro or private operators there needs to be some incentive to maximise usage of the public transport system. Any specification of service delivery should factor that into a tender. Returns made as a result of innovation or efficiency should be shared between the client and the provider.
- The G.S.T is also likely to impact on the pricing of fares – leading to a further reduction in use.
- In regard to level of fares, in 1996 Metro fares were seen as being between 6-36% lower than comfortable private sector organisations. It is recognised that the link between fare level and efficiency is minor. However, the point is made that price should not be the only determining factor. If anything the gap in fares has widened since that time.
- There is a good case to suggest that operation of a public transport system has social and environmental obligations. However, if there is a subsidy to pay to a Government run enterprise to deliver the service then in the interest of transparency the same subsidy should be paid to a private operator.
- Public transport was seen as an equalising tool for access issues, both in terms of disability and social factors.
- Greater use of public transport has positive environmental effects. Ultimately, high, constant use of public transport means less need for investment in other public infrastructure; like car parks. This strategic view needs to be factored into the pricing equation.

Council would suggest that the key to this review is specification of the required service; factoring in of social and environmental matters;

apportionment of acceptable public “risk” in terms of subsidy and flexible pricing to allow the operators to be innovative in their approaches to viable transport solutions.

Council would point out what might seem to be an obvious point that once a Government enterprise gets out of a capital intensive business then it will never get back into the same service.

To that extent if contracting out is contemplated then Government will have to very careful that first round pricing is not set at a level that neutralises Metro and then gets the Govt to pay a premium at latter pricing rounds.

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